

**PHOENICIA HOTEL COMPANY LIMITED**

**Annual Report and Financial Statements**

**31 December 2023**

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

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**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

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**GENERAL INFORMATION**

Phoenicia Hotel Company Limited (“the Company”) is registered in the United Kingdom as a private company limited by shares. The Company is operated and managed from Malta where it is registered as an overseas company with registration number OC1.

**Directors**

Mr. Jean Pierre Ellul Castaldi  
Mr. Mark Shaw

**Company Secretary**

Mr. Jean Pierre Ellul Castaldi

**Bankers**

APS Bank plc  
Tower Street  
Birkirkara BKR 4012  
MALTA

Bank of Valletta plc  
St. Anne Street  
Floriana FRN 9011  
MALTA

**Solicitors**

Zammit Pace Advocates  
35, St. Barbara Bastions  
Valletta VLT 1961  
MALTA

**Registered Office**

2 New Bailey  
6 Stanley Street, Salford  
Greater Manchester, M3 5GS  
UNITED KINGDOM

**Auditors**

Ernst & Young Malta Limited  
Certified Public Accountants  
Regional Business Centre  
Achille Ferris Street  
Msida, MSD 1751  
MALTA

# PHOENICIA HOTEL COMPANY LIMITED

## Annual Financial Statements for the year ended 31 December 2023

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### DIRECTORS' REPORT

The Directors of the Company present their annual report and financial statements for the year ended 31 December 2023.

#### Company incorporation

Phoenicia Hotel Company Limited (“the Company”) is registered in United Kingdom as a private company limited by shares since 10 October 1935 with registration number 00305858. On 2 July 2021, its registered office has changed to 2 New Bailey, 6 Stanley Street, Salford, Greater Manchester M3 5GS, United Kingdom. The Company is effectively operated and managed from Malta where it is registered as an overseas company with registration number OC1 since 21 April 1965. The Company’s principal activity is the operation of The Phoenicia Hotel in Malta.

#### Principal activity

The Company’s principal activity, which is unchanged since last year, is the operation of Phoenicia Hotel in Malta.

#### Principal risks and uncertainties

The Directors and executive management regularly meet to review the principal risks and uncertainties of the business. It is the opinion of the Directors that the main significant risks that may affect the business are broadly categorised as interest rate, credit and liquidity risks.

Up to the date of the present financial statements the Company did not have any hedging policy with respect to interest rate risk, as exposure to such risk was not deemed to be significant by the Directors given that the Company’s income and operating cash flows are substantially independent of changes in the market interest rate.

Financial assets that potentially subject the Company to concentrations of credit risk consist principally of cash at bank and debtors. The Company’s cash is placed with quality financial institutions whilst debtors are presented net of provision for doubtful debts. Credit risk with respect to debtors is limited since there is no concentration of credit risk.

The Company actively manages its liquidity risk by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations. The Directors believe, that the current liability position can be redressed through the operations of the Company and unutilised banking facilities (Note 2.1 – Going concern).

#### Review of the business

The Company’s key financial performance indicators during the year were as follows:

	<b>2023</b>	2022	Change
	<b>EUR</b>	EUR	%
Revenue	<b>19,158,385</b>	14,747,243	30%
Profit before tax for the year	<b>1,161,209</b>	986,978	18%
Total equity	<b>3,375,549</b>	2,373,261	42%

## **DIRECTORS' REPORT – continued**

### **Financial risk management**

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. Refer to note 19 in these financial statements.

### **Results and dividends**

The results for the year are set out in the statement of comprehensive income on page 9. The Directors do not recommend the payment of a dividend.

### **Directors**

The Directors who held office until the date of authorisation of these financial statements are stated on page 2. There were no changes in the directorship during the year. In accordance with the Company's Memorandum and Articles of Association, the present Directors are to remain in office.

### **Statement of Directors' responsibilities**

The Companies Act (Cap. 386) requires the Directors to prepare financial statements in accordance with generally accepted accounting principles as defined in the same Act, and in accordance with the provision of such Act, for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss for that period. In preparing the financial statements, the Directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provision of the same Act.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In view of the above information, we declare that to the best of our knowledge, the financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU"), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that this report includes a fair review of the performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

**DIRECTORS' REPORT – continued**

**Going concern statement**

During the year ended 31 December 2023, the Company incurred a profit before tax of EUR1,161,209 (2022: EUR986,978). As at 31 December 2023, its current liabilities exceeded current assets by EUR7,358,468 (2022: EUR8,484,060).

These financial statements have been prepared on a going concern basis. The Directors have made appropriate assessment of the going concern and determined that the Company has adequate resources to remain in operation for the foreseeable future, and to meet its liabilities when they fall due. The Directors have therefore continued to adopt the going concern basis of accounting in preparing these annual financial statements.

The Group, comprising of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company p.l.c., which provides cross intra-group guarantees and is managed as a combined entity, prepared projections for the upcoming 12 months and beyond, based on historical financial information, forecasts, as well as realistic assumptions to assess the financial situation. Management has also taken into consideration the positive performance and positive outlook to date for the year ending 31 December 2024 and have assessed that targets are on track to be achieved. Management has also considered the current macro-economic effects that may impact the Group including inflation and increased interest rates. Management has considered stress tested scenarios to assess the Group's ability to handle unforeseen challenges. After having considered other mitigating sources of liquidity, such as uncommitted capital costs, working capital management and available financing, management has concluded that it has the necessary resources and liquidity requirements in place to meet all commitments.

**Other matter**

The Company is in disagreement with the main contractor of the recent development of Phoenicia Hotel. The Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements (note 23).

**Events after the reporting period**

On 11 March 2024, Phoenicia Finance Company p.l.c., a related Company issued EUR50,000,000 5.75% Unsecured Bonds 2028-2033. Refer to note 24 to these financial statements for further details.

There were no other events after the reporting period which require disclosure in these financial statements.

**Auditors**

Ernst & Young Malta Limited have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The Directors' report was approved by the Board of Directors and was signed on its behalf by:



**MARK SHAW**  
Director



**JEAN PIERRE ELLUL CASTALDI**  
Director

23 April 2024

# **INDEPENDENT AUDITOR’S REPORT**

## **to the Shareholders of Phoenicia Hotel Company Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Phoenicia Hotel Company Limited (the “Company”), set on pages 9 to 35 which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) and the Companies Act, Cap. 386 of the Laws of Malta (the “Companies Act”).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the Companies Act. Our responsibilities under those standards and under the Companies Act are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT**

### **to the Shareholders of Phoenicia Hotel Company Limited - continued**

#### **Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## **INDEPENDENT AUDITOR'S REPORT** to the Shareholders of Phoenicia Hotel Company Limited - continued

### **Report on other legal and regulatory requirements**

#### *Matters on which we are required to report by the Companies Act*


We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have nothing to report in this regard.

We have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.



*The partner in charge of the audit resulting in this independent auditor's report is Christopher Balzan for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

23 April 2024

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2023**

	Notes	2023 EUR	2022 EUR
Revenue	4	19,158,385	14,747,243
Cost of sales	5	(11,897,536)	(10,235,957)
<b>Gross profit</b>		<b>7,260,849</b>	4,511,286
Administrative expenses	5	(3,998,211)	(2,384,803)
Selling and marketing expenses	5	(761,718)	(657,499)
Other income	6	-	582,124
<b>Operating profit</b>		<b>2,500,920</b>	2,051,108
Finance costs	8	(1,339,711)	(1,064,130)
<b>Profit before tax</b>		<b>1,161,209</b>	986,978
Income tax (expense)/credit	9	(158,921)	314,406
<b>Profit for the year</b>		<b>1,002,288</b>	1,301,384
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>1,002,288</b>	1,301,384

*The accounting policies and explanatory notes on pages 13 to 35 form an integral part of the financial statements.*


**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**


**STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2023**

	Notes	2023 EUR	2022 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	4,107,109	3,995,060
Right-of-use assets	11	20,447,993	18,487,520
Deferred tax asset	12	6,758,304	6,917,225
<b>Total non-current assets</b>		<b>31,313,406</b>	<b>29,399,805</b>
<b>Current assets</b>			
Inventories	13	374,747	238,360
Trade and other receivables	14	852,144	829,271
Cash and cash equivalents	15	641,737	910,638
<b>Total current assets</b>		<b>1,868,628</b>	<b>1,978,269</b>
<b>TOTAL ASSETS</b>		<b>33,182,034</b>	<b>31,378,074</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	16	413,595	8,386
Other reserve	16	433,365	-
Deferred shares	16	-	838,574
Retained earnings	16	2,528,589	1,526,301
<b>Total equity</b>		<b>3,375,549</b>	<b>2,373,261</b>
<b>Non-current liabilities</b>			
Lease liabilities	11	20,579,389	18,542,484
<b>Total non-current liabilities</b>		<b>20,579,389</b>	<b>18,542,484</b>
<b>Current liabilities</b>			
Trade and other payables	17	7,256,976	8,827,488
Lease liabilities	11	1,970,120	1,634,841
<b>Total current liabilities</b>		<b>9,227,096</b>	<b>10,462,329</b>
<b>Total liabilities</b>		<b>29,806,485</b>	<b>29,004,813</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,182,034</b>	<b>31,378,074</b>

*The accounting policies and explanatory notes on pages 13 to 35 form an integral part of the financial statements.*

*The financial statements on pages 9 to 35 have been authorized for issue by the Board of Directors on 23 April 2024 and signed on its behalf by:*

  
**MARK SHAW**  
 Director

  
**JEAN PIERRE ELLUL CASTALDI**  
 Director

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2023**

	Issued Capital EUR	Deferred Shares EUR	Other Reserve EUR	Retained earnings EUR	Total EUR
<b>FINANCIAL YEAR ENDED 31 December 2023</b>					
At 1 January 2023	8,386	838,574	-	1,526,301	2,373,261
Profit for the year	-	-	-	1,002,288	1,002,288
Total comprehensive income	-	-	-	1,002,288	1,002,288
Other movements (note 16)	405,209	(838,574)	433,365	-	-
At 31 December 2023	<b>413,595</b>	<b>-</b>	<b>433,365</b>	<b>2,528,589</b>	<b>3,375,549</b>
<b>FINANCIAL YEAR ENDED 31 December 2022</b>					
At 1 January 2022	8,386	838,574	-	224,917	1,071,877
Profit for the year	-	-	-	1,301,384	1,301,384
Total comprehensive income	-	-	-	1,301,384	1,301,384
At 31 December 2022	<b>8,386</b>	<b>838,574</b>	<b>-</b>	<b>1,526,301</b>	<b>2,373,261</b>

*The accounting policies and explanatory notes on pages 13 to 35 form an integral part of the financial statements.*

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2023**

	Notes	2023 EUR	2022 EUR
<b>Operating activities</b>			
Profit before tax		1,161,209	986,978
<i>Non-cash adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation of property, plant and equipment	10	936,001	1,044,731
Depreciation of right of use assets	11	2,272,000	1,848,752
Rent concession	11	-	(75,000)
Interest expense	8	1,339,711	1,064,130
<i>Working capital adjustments:</i>			
(Increase)/decrease in trade and other receivables		(56,232)	33,114
Increase in inventory		(136,387)	(52,706)
Increase in trade and other payables		491,561	786,392
<b>Net cash flows from operating activities</b>		<b>6,007,863</b>	<b>5,636,391</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	10	(1,048,050)	(920,643)
Advances (to)/from related parties	14/17	(2,028,714)	2,974,154
<b>Net cash flows (used in)/from investing activities</b>		<b>(3,076,764)</b>	<b>2,053,511</b>
<b>Financing activities</b>			
Repayments of borrowings		-	(6,209,301)
Payment of principal portion of lease liabilities	11	(1,339,711)	(936,965)
Payment of interest portion of lease liabilities	11	(1,860,289)	(1,488,035)
Interest paid		-	(112,232)
<b>Net cash flows used in financing activities</b>		<b>(3,200,000)</b>	<b>(8,746,533)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(268,901)</b>	<b>(1,056,631)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>910,638</b>	<b>1,967,269</b>
<b>Cash and cash equivalents at 31 December</b>	15	<b>641,737</b>	<b>910,638</b>

*The accounting policies and explanatory notes on pages 13 to 35 form an integral part of the financial statements.*

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

Phoenicia Hotel Company Limited (“the Company”) is registered in United Kingdom as a private company limited by shares. The Company is effectively operated and managed from Malta where it is registered as an overseas company with registration number OC1. Effective on 2 July 2021, the Company’s registered office is 2 New Bailey, 6 Stanley Street, Salford, Greater Manchester, M3 5GS, United Kingdom. Prior to this date, the Company’s registered office was Eversheds House 70, Great Bridgewater Street, Manchester M1 5ES, United Kingdom. The Company’s principal activity is the operation of The Phoenicia Hotel in Malta.

### **2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

The financial statements have been prepared in accordance with International Financial Reporting Standards issued as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta.

The Company has prepared its financial statements in line with the general rule set out in article 387 of the Companies Act, Cap. 386 of the Laws of Malta which provides that an overseas company is to prepare its accounts in such form and manner as would be required of a company formed and registered in Malta.

The financial statements are presented in Euro (EUR), which represents the functional and presentation currency of the Company and all values are rounded to the nearest Euro, except when otherwise indicated. These financial statements are prepared under the historical cost convention.

#### *Going concern*

During the year ended 31 December 2023, the Company generated a profit before tax of EUR1,161,209 (2022: EUR986,978). As at 31 December 2023, its current liabilities exceeded current assets by EUR7,358,468 (2022: EUR8,484,060).

These financial statements have been prepared on a going concern basis. The Directors have made appropriate assessment of the going concern and determined that the Company has adequate resources to remain in operation for the foreseeable future, and to meet its liabilities when they fall due. The Directors have therefore continued to adopt the going concern basis of accounting in preparing these annual financial statements.

The Group, comprising of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company p.l.c., which provides cross intra-group guarantees and is managed as a combined entity, prepared projections for the upcoming 12 months and beyond, based on historical financial information, forecasts, as well as realistic assumptions to assess the financial situation. Management has also taken into consideration the positive performance and positive outlook to date for the year ending 31 December 2024 and have assessed that targets are on track to be achieved. Management has also considered the current macro-economic effects that may impact the Group including inflation and increased interest rates. Management has considered stress tested scenarios to assess the Group’s ability to handle unforeseen challenges. After having considered other mitigating sources of liquidity, such as uncommitted capital costs, working capital management and available financing, management has concluded that it has the necessary resources and liquidity requirements in place to meet all commitments.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

#### **Standards, interpretations and amendments to published standards as adopted by the European Union effective in the current year**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year which have been adopted by the Company as of 1 January 2023:

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for financial years beginning on or after 1 January 2023)
- IFRS 17: Insurance Contracts, including Amendments to IFRS 17 (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for financial years beginning on or after 1 January 2023)
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (effective for financial years beginning on or after 1 January 2023)

The adoption of these standards, where applicable, did not have significant impact on the financial statements or performance of the Company.

#### **Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective**

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Company has not early adopted but plans to adopt upon their effective date. The new and amended standards follow:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for financial years beginning on or after 1 January 2024)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for financial years beginning on or after 1 January 2024)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements. The Company will adopt the changes in standards, where applicable, on their effective date.

#### **Standards, interpretations and amendments to published standards that are not yet adopted by the European Union**

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for financial years beginning on or after 1 January 2024)
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective for financial years beginning on or after 1 January 2025)

The Company is still assessing the impact that these new standards will have on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. MATERIAL ACCOUNTING POLICIES**

**Revenue**

Revenues include all revenues from the ordinary business activities of the Company and are recorded net of value added tax. Discounts to customers are recognised as a reduction in revenue. They are recognised in accordance with the provision for goods or services provided that collectability of the consideration is probable.

Revenue mainly represents income earned for accommodation and catering services. Revenue from accommodation is recognised over a period of time whereas revenue from catering and other services is recognised at a point in time. Service revenue is recognised when services have been rendered and collectability is reasonably assured.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The performance obligation is to provide hospitality and leisure services as and when customers make use of the services. The transaction price follows a fee structure which is known at the date of booking or consumption of service and thus no significant estimates are required in this respect.

*Contract balances*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**Foreign currency transactions**

*Functional and presentation currency*

These financial statements are presented in Euro ('EUR'), the currency of the primary economic environment in which that Company operates.

*Transactions and balances*

Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the reporting date. All resulting differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation difference on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. MATERIAL ACCOUNTING POLICIES - continued**

**Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on a straight-line basis to write off the cost of property, plant and equipment less any residual value over the expected useful lives. The annual rates used for this purpose, which are consistent with those used in the previous year, are as follows:

Plant, machinery and other equipment	3 - 15 years
Crockery, utensils and linen	3 - 15 years

The depreciation method applied and the useful life, are reviewed, and adjusted, if appropriate, at the end of each reporting year. There were no changes in the depreciation method applied or the useful life during 2023. Depreciation of an asset ceases when the asset is either classified as held for sale or derecognised. Assets in the course of construction are not depreciated.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount of the asset. These are included in the statement of comprehensive income in the year of derecognition.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises the direct invoiced cost. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expenses.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. MATERIAL ACCOUNTING POLICIES - continued**

**Financial instruments - continued**

*Financial Assets*

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

*Subsequent measurement of Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows  
and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income is recognised in statement of profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. MATERIAL ACCOUNTING POLICIES - continued**

**Financial instruments - continued**

**Financial assets - continued**

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired
- or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement.

*Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. MATERIAL ACCOUNTING POLICIES - continued**

**Financial instruments - continued**

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs and payables.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. MATERIAL ACCOUNTING POLICIES - continued**

**Financial instruments - continued**

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that a non-financial asset (including property, plant and equipment) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

**Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Hotel Property	15 years
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If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

## **NOTES TO THE FINANCIAL STATEMENTS - continued**

### **3. MATERIAL ACCOUNTING POLICIES - continued**

#### **Leases - continued**

##### *ii) Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are detailed in Note 11.

##### *iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits, net of overdraft balances.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents with an original maturity of three months or less.

#### **Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If outflows are not probable or cannot be reliably estimated, the Company discloses any such amounts as contingent liabilities.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. MATERIAL ACCOUNTING POLICIES - continued**

**Taxes**

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that there will be taxable profit against which a deductible temporary difference can be used, unless the deferred tax asset arises from the initial recognition of an asset or liability that is not from a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

*Value added tax*

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred in the purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## **NOTES TO THE FINANCIAL STATEMENTS - continued**

### **3. MATERIAL ACCOUNTING POLICIES - continued**

#### **Grants**

Grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attached and that the grants will be received.

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned. Other grants are credited to the profit and loss account in the same year as the expenditure to which they contribute and included within 'Other Income'.

### **3.1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

In preparing the financial statements, the Directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the year the change becomes known.

In the opinion of the management, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements', except as disclosed below.

#### *Deferred tax assets*

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the tax losses and unabsorbed capital allowances can be utilised.

Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. In exercising its judgement management has taken into account budgets and the ability to carry forward losses for offset indefinitely. Refer to note 12.

#### *Right-of-use assets*

In 2018, the company entered into a new lease agreement with a related company for the rental of the hotel land and building for a period of one year, renewable at the option of the lessee for further period of one year each up to a maximum period of fifteen (15) years in the aggregate.

In light of the aforementioned option to extend, management uses its judgement to determine whether or not this option to extend would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and future developments to determine the lease term.

In its assessment, management determined that the option to extend will be honoured up to the maximum term i.e. by 2032.



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**NOTES TO THE FINANCIAL STATEMENTS - continued**

**4. REVENUE**

The company's entire revenue is derived locally from the operations of the hotel in Malta.

	<b>2023</b>	2022
	<b>EUR</b>	EUR
<i>Services transferred over time</i>		
Accommodation	<b>12,738,781</b>	9,600,686
<i>Services/goods transferred at a point in time</i>		
Catering	<b>5,490,635</b>	4,494,435
Other	<b>928,969</b>	652,122
Revenue from contracts with customers	<b>19,158,385</b>	14,747,243

**5. EXPENSES BY NATURE**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Staff costs (note 7)	<b>4,638,932</b>	4,124,341
Depreciation on owned assets (note 10)	<b>936,001</b>	1,044,731
Depreciation on right of use assets (note 11)	<b>2,272,000</b>	1,848,752
Auditors remuneration	<b>35,000</b>	35,000
Professional, legal, and consulting fees	<b>2,023,706</b>	789,514
Other expenses	<b>6,751,826</b>	5,435,921
Total cost of sales, administrative, selling and marketing expenses	<b>16,657,465</b>	13,278,259

**6. OTHER INCOME**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Government grants (i)	-	507,124
Rent concession (note 11)	-	75,000
	-	582,124

(i) For the year ended 31 December 2022, government grants include EUR0.5 million for Covid-19 wage supplement received from the Government of Malta, which is a contribution to the employer to support the wages of its employees. This scheme was retained by the Government of Malta till the end of May 2022.

**7. STAFF COSTS**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Directors' remuneration	<b>284,704</b>	183,221
Social security costs	<b>2,575</b>	1,971
	<b>287,279</b>	185,192

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

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**NOTES TO THE FINANCIAL STATEMENTS - continued**

**7. STAFF COSTS - continued**

The total employment costs were as follows:

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Wages and salaries	<b>4,299,959</b>	3,852,693
Social security costs	<b>338,973</b>	271,648
	<b>4,638,932</b>	4,124,341

The average number of persons employed by the company during the year was as follows:

	<b>2023</b>	2022
	<b>Number</b>	Number
Guest service	<b>145</b>	132
Administrative	<b>39</b>	33
	<b>184</b>	165

**8. FINANCE COSTS**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Interest on bank loan	-	127,165
Interest on lease liabilities (note 11)	<b>1,339,711</b>	936,965
	<b>1,339,711</b>	1,064,130

**9. INCOME TAX EXPENSE/(CREDIT)**

The tax for the year is made up as follows:

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Current tax	-	-
Deferred tax (note 12)	<b>158,921</b>	(314,406)
Income tax expense/(credit)	<b>158,921</b>	(314,406)

The taxation on the company's profits differs from the standard rate of Malta tax that would arise using the basic tax rate applicable as follows:

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**9. INCOME TAX EXPENSE/(CREDIT) - continued**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Profit before tax	<b>1,161,209</b>	986,978
Theoretical tax at the applicable 35% rate	<b>406,423</b>	345,442
<i>Tax effect of:</i>		
- allowances on leased hotel property	<b>(645,608)</b>	(662,693)
- expenses not deductible for tax purposes	<b>966</b>	2,845
- other differences	<b>397,140</b>	-
Income tax expense/(credit)	<b>158,921</b>	(314,406)

**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>Plant, machinery and equipment EUR</b>	<b>Crockery, utensils and linen EUR</b>	<b>Assets under construction EUR</b>	<b>Total EUR</b>
<b>Cost</b>				
At 1 January 2022	15,280,685	589,021	3,186	15,872,892
Additions	828,578	-	92,065	920,643
Disposals	(251,367)	-	-	(251,367)
Transfers	3,186	-	(3,186)	-
At 31 December 2022	<u>15,861,082</u>	<u>589,021</u>	<u>92,065</u>	<u>16,542,168</u>
At 1 January 2023	15,861,082	589,021	92,065	16,542,168
Additions	958,891	89,159	-	1,048,050
Disposals	-	-	-	-
Transfers	92,065	-	(92,065)	-
<b>At 31 December 2023</b>	<b><u>16,912,038</u></b>	<b><u>678,180</u></b>	<b><u>-</u></b>	<b><u>17,590,218</u></b>
<b>Accumulated depreciation</b>				
At 1 January 2022	11,197,133	556,610	-	11,753,743
Depreciation for the year	1,033,927	10,804	-	1,044,731
Depreciation released on disposal	(251,366)	-	-	(251,366)
At 31 December 2022	<u>11,979,694</u>	<u>567,414</u>	<u>-</u>	<u>12,547,108</u>
At 1 January 2023	11,979,694	567,414	-	12,547,108
Depreciation for the year	914,563	21,438	-	936,001
Depreciation released on disposal	-	-	-	-
<b>At 31 December 2023</b>	<b><u>12,894,257</u></b>	<b><u>588,852</u></b>	<b><u>-</u></b>	<b><u>13,483,109</u></b>
<b>Net book value</b>				
<b>At 31 December 2023</b>	<b><u>4,017,781</u></b>	<b><u>89,328</u></b>	<b><u>-</u></b>	<b><u>4,107,109</u></b>
At 31 December 2022	<u>3,881,388</u>	<u>21,607</u>	<u>92,065</u>	<u>3,995,060</u>

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**10. PROPERTY, PLANT AND EQUIPMENT - continued**

As disclosed in note 17, at 31 December, the company had payables for capital expenditure amounting to EUR1,171,223 (2022: EUR1,171,223).

**11. LEASES**

**Company as a lessee**

In 2018, the company entered into a new lease agreement with a related company for the rental of the hotel land and building for a period of one year, renewable for further period of one year each up to a maximum period of fifteen years in the aggregate. In terms of the lease agreement, the Company pays annual rent of EUR2,500,000 revisable every three years assuming a complete development of the hotel. Management assessed that the rental agreement will be renewed up to its maximum period and a discount rate of 4.5% was determined to be the incremental borrowing rate.

Effective from 1 January 2023, an addendum to the original agreement was entered into, whereby the annual rent has been revised to EUR3,200,000. Following the increase in annual rent, the company has remeasured its lease liability, up to its maximum period (remaining contract period), and using a revised incremental borrowing rate of 5.75%.

The carrying amounts of right-of-use assets recognised and the movements during the year are as follows:

	<b>2023</b>	2022
	<b>EUR</b>	EUR
<b>Hotel land and building</b>		
As at 1 January	<b>18,487,520</b>	20,336,272
Impact of lease modification	<b>4,232,473</b>	-
Depreciation on right of use assets (note 5)	<b>(2,272,000)</b>	(1,848,752)
<b>As at 31 December</b>	<b><u>20,447,993</u></b>	<u>18,487,520</u>

The carrying amounts of lease liabilities and the movements during the year are as follows:

	<b>2023</b>	2022
	<b>EUR</b>	EUR
As at 1 January	<b>20,177,325</b>	21,740,360
Impact of lease modification	<b>4,232,473</b>	-
Accretion of interest (note 8)	<b>1,339,711</b>	936,965
Rent concession (i) (note 6)	-	(75,000)
Payments	<b>(3,200,000)</b>	(2,425,000)
<b>As at 31 December</b>	<b><u>22,549,509</u></b>	<u>20,177,325</u>

Disclosed as follows:

Current liabilities	<b>1,970,120</b>	1,634,841
Non-current liabilities	<b>20,579,389</b>	18,542,484
<b>As at 31 December</b>	<b><u>22,549,509</u></b>	<u>20,177,325</u>

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**11. LEASES - continued**

- (i) Following the outbreak of Covid-19 pandemic, the lessor gave a rent concession during the year ended 31 December 2022 to the Company where the latter applied the practical expedient where the amount of rent concession is being recognized in profit or loss for the year within 'Other Income'. There were no further concessions during the year ended 31 December 2023.

The non-current lease liabilities are analysed as follows:

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Between one and two years	<b>2,086,435</b>	1,709,945
Between two and five years	<b>7,027,923</b>	5,615,763
More than five years	<b>11,465,031</b>	11,216,776
	<b>20,579,389</b>	18,542,484

**12. DEFERRED TAX ASSET**

The movement in deferred tax asset is as follows:

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Balance as at 1 January	<b>6,917,225</b>	6,602,819
(Charged)/credited to profit or loss (note 9)	<b>(158,921)</b>	314,406
Balance as at 31 December	<b>6,758,304</b>	6,917,225

Deferred income tax at 31 December relates to the following:

	<b>2023</b>	2022
	<b>EUR</b>	EUR
<i>Deferred income tax asset is attributable to the following:</i>		
- unutilized tax losses and capital allowances	<b>5,882,387</b>	6,150,291
- excess of capital allowances over depreciation	<b>126,568</b>	160,883
- allowances for impairment	<b>13,819</b>	14,619
- leases under IFRS 16	<b>735,530</b>	591,432
	<b>6,758,304</b>	6,917,225

The Directors are confident that the deferred taxation recognised in the financial statements will be realised in the foreseeable future through operations conducted by the Company. Tax losses and unabsorbed capital allowances do not expire under Maltese legislation.

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**13. INVENTORIES**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Catering and bar supplies	<b>187,770</b>	136,151
Hotel consumables	<b>186,977</b>	102,209
	<b>374,747</b>	238,360

**14. TRADE AND OTHER RECEIVABLES**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Trade receivables (i)	<b>454,970</b>	588,726
Amounts due from related party (ii)	<b>59,559</b>	92,917
Amounts due from parent company (ii)	<b>122,308</b>	-
Prepayments	<b>156,669</b>	96,534
Other receivables	<b>58,638</b>	51,094
	<b>852,144</b>	829,271

- (i) Trade receivables are presented net of expected credit losses (ECL) of EUR39,482 (2022: EUR41,768). An amount of EUR2,286 from lifetime ECL provision was debited to profit or loss during the year (2022: of nil). No interest is charged on trade and other receivables. As at 31 December, the ageing analysis of trade receivables is as follows:

	Total EUR	Neither past due nor impaired			Past due but not Impaired EUR
		0-30 days EUR	30-60 days EUR	61-90 days EUR	
<b>2023</b>	<b>454,970</b>	<b>375,836</b>	<b>70,902</b>	<b>8,232</b>	-
2022	588,726	438,273	57,463	85,604	7,386

- (ii) The amounts due from related party and parent company are detailed in note 21. These amounts are unsecured, non-interest bearing and with no fixed date for repayment.

**15. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amount:

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Cash at bank and in hand	<b>641,737</b>	910,638

The Company has an overdraft facility of EUR750,000 (2022: EUR750,000) for working capital requirements, which is secured by a general hypothec of EUR750,000 (2022: EUR750,000) over the assets of the company and a special hypothecary guarantee of EUR750,000 (2022: EUR750,000) given by a related company over its property (note 21).

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**16. ISSUED CAPITAL AND RESERVES**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
<b>Authorised:</b>		
1,456,000 (2022: 16,000) ordinary shares of EUR 0.284375 (2022 GBP 0.25)	<b>414,050</b>	9,318
	<u>                    </u>	<u>                    </u>
<b>Issued and fully paid up:</b>		
1,454,400 (2022: 14,400) ordinary shares of EUR 0.284375 (2022 GBP 0.25)	<b>413,595</b>	8,386
	<u>                    </u>	<u>                    </u>

**Deferred shares**

As at 31 December 2022, the authorised, issued and fully paid-up deferred shares of EUR838,574 were made up of 1,440,000 deferred shares of GBP 0.25 each. Deferred shares were not entitled to dividends and carried no voting rights. On winding up, holders of deferred shares were entitled to repayment of capital, after the capital had been repaid in full to the holders of ordinary shares. Holders of deferred shares were not entitled to participate in any further surplus arising on winding up.

During April 2023, the Company has redesignated the deferred shares as ordinary shares. This resulted in an increase in issued ordinary share capital by 1,440,000 ordinary shares.

**Other reserve**

Following the redesignation of deferred share as ordinary shares, the Company redenominated all ordinary shares from GBP 0.25 each to EUR 0.284375 each, fully paid using an exchange rate of EUR1.1375 to GBP1, resulting in an exchange difference of EUR433,365 shown as Other reserve.

**Retained earnings**

Retained earnings represent accumulated retained profits that are available for distribution to the company's shareholders.

**17. TRADE AND OTHER PAYABLES**

	<b>2023</b>	2022
	<b>EUR</b>	EUR
Trade payables	<b>2,036,402</b>	1,453,051
Amounts due to related parties (i)	<b>1,842,500</b>	3,904,572
Accruals	<b>1,149,062</b>	1,313,954
Contract liabilities (ii)	<b>633,491</b>	473,874
Indirect taxes including social security (iii)	<b>302,442</b>	408,908
Payables for capital expenditure (iv)	<b>1,171,223</b>	1,171,223
Other payables	<b>121,856</b>	101,906
	<u>                    </u>	<u>                    </u>
<b>Total current trade and other payables</b>	<b>7,256,976</b>	8,827,488
	<u>                    </u>	<u>                    </u>

- (i) Amounts due to related parties relate to balances arising from account which is used to manage cash between the Company and related parties. The amounts due to related parties are explained in note 21. These amounts are unsecured, non-interest bearing and with no fixed date for repayment.
- (ii) Contract liabilities represent advances from customers. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to EUR319,368 (2022: EUR451,047). Amounts are expected to be recognised in revenue during the year ending 31 December 2024.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**17. TRADE AND OTHER PAYABLES - continued**

- (iii) During the year ended 31 December 2020, the Government of Malta had issued a scheme in response of the Covid-19 pandemic for the deferral of indirect taxes and deferred taxes must be paid in full by December 2024. During this period, no interest will be incurred on deferred periods.
- (iv) Payables for capital expenditure represents a retention amount arising from the recent development of Phoenicia Hotel. These amounts will remain as payable as a result of a disagreement with the main contractor, as disclosed in Note 23.

**18. FINANCIAL COMMITMENTS**

As disclosed in note 15, the Company has also provided the bank with guarantees over the assets of the Company.

The Company also provides a first general hypothecary guarantee of EUR43.3 million (2022: EUR44.3 million) in favour of a related party (note 21).

**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities may expose it to the various types of risks: market risk (interest rate risk), credit risk and liquidity risk.

**Credit risk**

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of trade and other receivables and cash and cash equivalents.

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company is not exposed to major concentrations of credit risk.

The Company's cash at bank are placed with quality financial institutions. Carrying amounts for trade and other receivables are stated net of the necessary provisions which have been made against bad and doubtful debts in respect of which the Directors reasonably believe that recoverability is doubtful (note 14).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets as disclosed in note 14 and note 15.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

With the exception of bank balances, the Company is not subject to cash flow interest rate risk. The Company's financial assets and liabilities are principally non-interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations on the prevailing levels of market interest rates.



**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

**Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate amount of committed credit facilities.

The Company actively manages its risk of a shortage of funds by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations. The Directors believe, that the current liability position can be redressed through the operations of the Company and unutilised banking facilities (Note 2.1 – Going concern).

The presentation of the financial assets and liabilities listed under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

	<b>Carrying amount</b>	<b>Undiscounted contractual cash flows EUR</b>	<b>Within 1 year EUR</b>	<b>1 to 5 years EUR</b>	<b>Over 5 years EUR</b>
<b>31 December 2023</b>					
Interest-bearing loans and borrowings					
Lease liabilities	22,549,509	28,800,000	3,200,000	12,800,000	12,800,000
Trade and other payables	7,256,976	7,256,976	7,256,976	-	-
	<u>29,806,485</u>	<u>36,056,976</u>	<u>10,456,976</u>	<u>12,800,000</u>	<u>12,800,000</u>
<b>31 December 2022</b>					
Interest-bearing loans and borrowings					
Lease liabilities	20,177,325	25,000,000	2,500,000	10,000,000	12,500,000
Trade and other payables	8,827,488	8,827,488	8,827,488	-	-
	<u>29,004,813</u>	<u>33,827,488</u>	<u>11,327,488</u>	<u>10,000,000</u>	<u>12,500,000</u>

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

**Changes in liabilities arising from financing activities**

	<b>1 January 2023 EUR</b>	<b>Cash flows EUR</b>	<b>Rent expense EUR</b>	<b>Accrued interest EUR</b>	<b>31 December 2023 EUR</b>
Amounts due to related parties	3,904,572	(5,262,072)	3,200,000	-	1,842,500

	<b>1 January 2022 EUR</b>	<b>Cash flows EUR</b>	<b>Rent expense EUR</b>	<b>Accrued interest EUR</b>	<b>31 December 2022 EUR</b>
Amounts due to related parties	910,269	569,303	2,425,000	-	3,904,572
Bank loans	6,194,368	(6,209,301)	-	14,933	-

**Capital management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The primary objective of the Company's capital management is to ensure that it maintains adequate capital to support its operations. The Company's Directors manage the Company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

To maintain or adjust its capital structure, the Company may adjust its borrowings. There were no changes in the Company's approach to capital management during the year.

**20. FAIR VALUE MEASUREMENT**

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible as outlined above. For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At 31 December 2023 and 2022 the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables approximated their fair values in view of the nature of the instruments or their short-term maturity (Level 2).

**PHOENICIA HOTEL COMPANY LIMITED**  
**Annual Financial Statements for the year ended 31 December 2023**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**21. RELATED PARTY TRANSACTIONS AND BALANCES**

Note 22 provides information about the Group's structure, including details of the parent and ultimate parent company.

The following table provides the total amount of transactions and balances with related parties for the relevant financial year:

<b>Related parties</b>		<b>Purchases from related Party</b>	<b>Amounts owed (to)/ from related party</b>
Phoenicia Malta Limited	<b>2023</b>	<b>3,200,000</b>	<b>(1,842,500)</b>
	2022	2,425,000	(3,904,572)
Phoenicia Finance Company p.l.c.	<b>2023</b>	-	<b>59,559</b>
	2022	-	92,917
Phoenicia Holding Lux S.à r.l.	<b>2023</b>	-	<b>122,308</b>
	2022	-	-
Hazledene Group Limited	<b>2023</b>	<b>770,209</b>	-
	2022	488,797	-

*Phoenicia Malta Limited*

The Company has a lease agreement with Phoenicia Malta Limited, which is a wholly owned subsidiary of the immediate parent of Phoenicia Hotel Company Limited for the rental of the hotel. During the year ended 31 December 2022, the company also received a rent concession of EUR75,000 from Phoenicia Malta Limited (note 6). The loans of the related party are secured by a special hypothecary guarantee of EUR43.3 million (2022: EUR44.3 million) given by the Company. As disclosed in note 15, the related party has also provided guarantees amounting to EUR750,000 (2022: EUR750,000) to secure the Company's bank facilities.

*Phoenicia Finance Company p.l.c.*

The company has a balance with Phoenicia Finance Company p.l.c., a fully owned subsidiary of Phoenicia Malta Limited, for expenses paid by the Company on behalf of the related company.

*Hazledene Group Limited*

Hazledene Group Limited is an entity in which the ultimate controlling party of the Company has an interest. The Company has a management agreement with Hazledene Group Limited and during the year the Company entered into transactions with this party for management services included under administrative expenses. Amounts due to Hazledene Group Limited are interest free and are payable on demand.

*Phoenicia Holding Lux S.à r.l.*

The company has a balance with Phoenicia Holding Lux S.à r.l., the parent Company of the Company and the Group, for expenses paid by the Company on behalf of the related company

*Key management personnel*

Amounts payable to key management personnel as disclosed in note 7 as 'Directors' remuneration'.

**22. PARENT AND ULTIMATE PARENT COMPANY**

The parent company is Phoenicia Holding Lux S.a.r.l. registered in Luxembourg and the ultimate controlling party is Mark Shaw, a British national residing in Edinburgh, Scotland.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**23. CONTINGENT LIABILITES**

The Company is in disagreement with the main contractor of the recent development of Phoenicia Hotel regarding certain differences between applications for payment and claims made by the contractor and amounts that have been certified as due based on the assessment of a professional cost consultancy firm engaged by the Company since inception of the project.

Based on expert technical advice received, the Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements. Furthermore, the Company has a number of claims against the contractor relating to delays and defects, amongst others.

Should amounts, if any, become payable, these will be partly recharged to a related company owning the property.

The company continues to monitor this development with the guidance of its external legal counsel.

**24. EVENTS AFTER THE REPORTING PERIOD**

On 11 March 2024, Phoenicia Finance Company p.l.c., a related Company issued EUR50,000,000 5.75% Unsecured Bonds 2028-2033 of a nominal value of EUR100 per bond issued at par, guaranteed by Phoenicia Malta Limited and Phoenicia Hotel Company Limited, both in terms of annual interest and capital repayment upon maturity.

There were no other events after the reporting period which require disclosure in these financial statements.